

# MARKET PRESENTATION:

## CANADA

**DEBORAH MOOR**

**COUNTRY MANAGER**

May 2011



> [www.lloyds.com/marketpresentations](http://www.lloyds.com/marketpresentations)



> [www.lloyds.com/countryprofiles](http://www.lloyds.com/countryprofiles)

# **INSURANCE MARKET >Macro Themes**

## **ECONOMY**

- **Relatively strong economy particularly resource-based industries & infrastructure spending**
- **2010 real GDP growth of 3.2% with positive growth in every region**
- **Substantial growth in trade**
- **Stable financial institutions**
- **Manufacturing sector rebounding – auto, computers & aerospace**

## **INSURANCE**

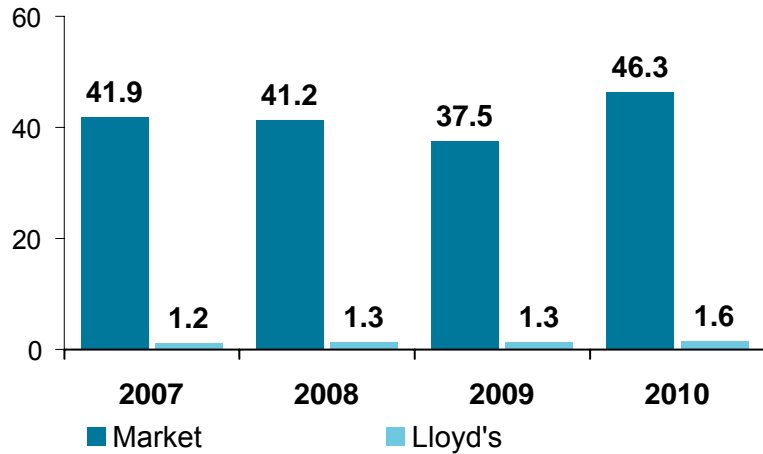
- **M&A and new entrant activity:**
  - **RSA buys GCAN for \$410m**
  - **Desjardins buys Western Financial Group for \$443m**
  - **Everest Re buys Premiere & Executive Risks**
  - **Demutualisation of Economical**
- **Domestics' continued moves into commercial lines and specialist business following auto losses**
- **Ontario auto – some reform but profitability still in the distance**
- **Direct writing still limited due to auto losses and regulatory constraints**

## **REINSURANCE**

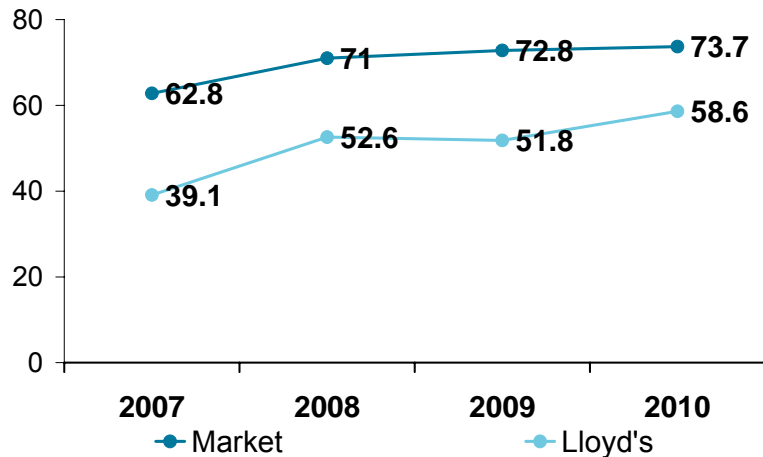
- **Regulatory change impacts local buying, increases compliance requirements**

# INSURANCE MARKET > Market Size

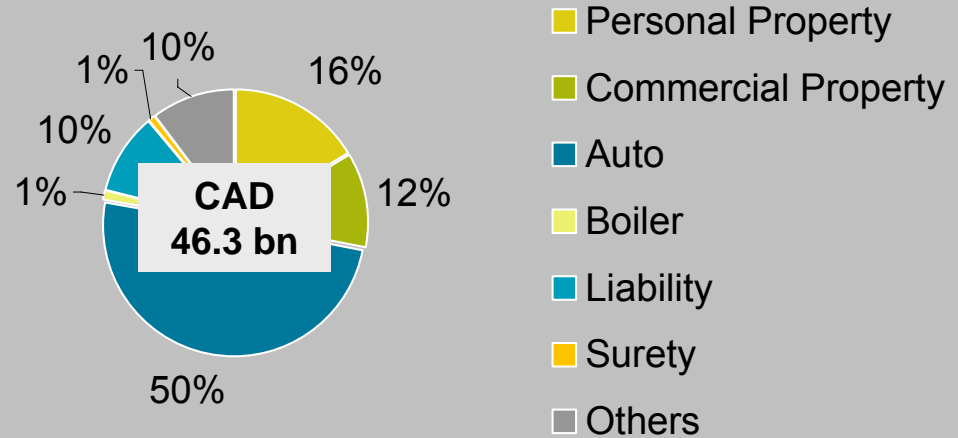
**2007-2010 Premiums for Total Market:**  
in billion CAD



**2007-2010 Loss Ratios for Total Market:**  
in % (for Large insurers or groups)



**Canada Non-Life Market 2010:**



## KEY FEATURES

Majority of growth in overall market driven by increasing auto premiums

Most of the major direct players still writing at >98% combined ratios

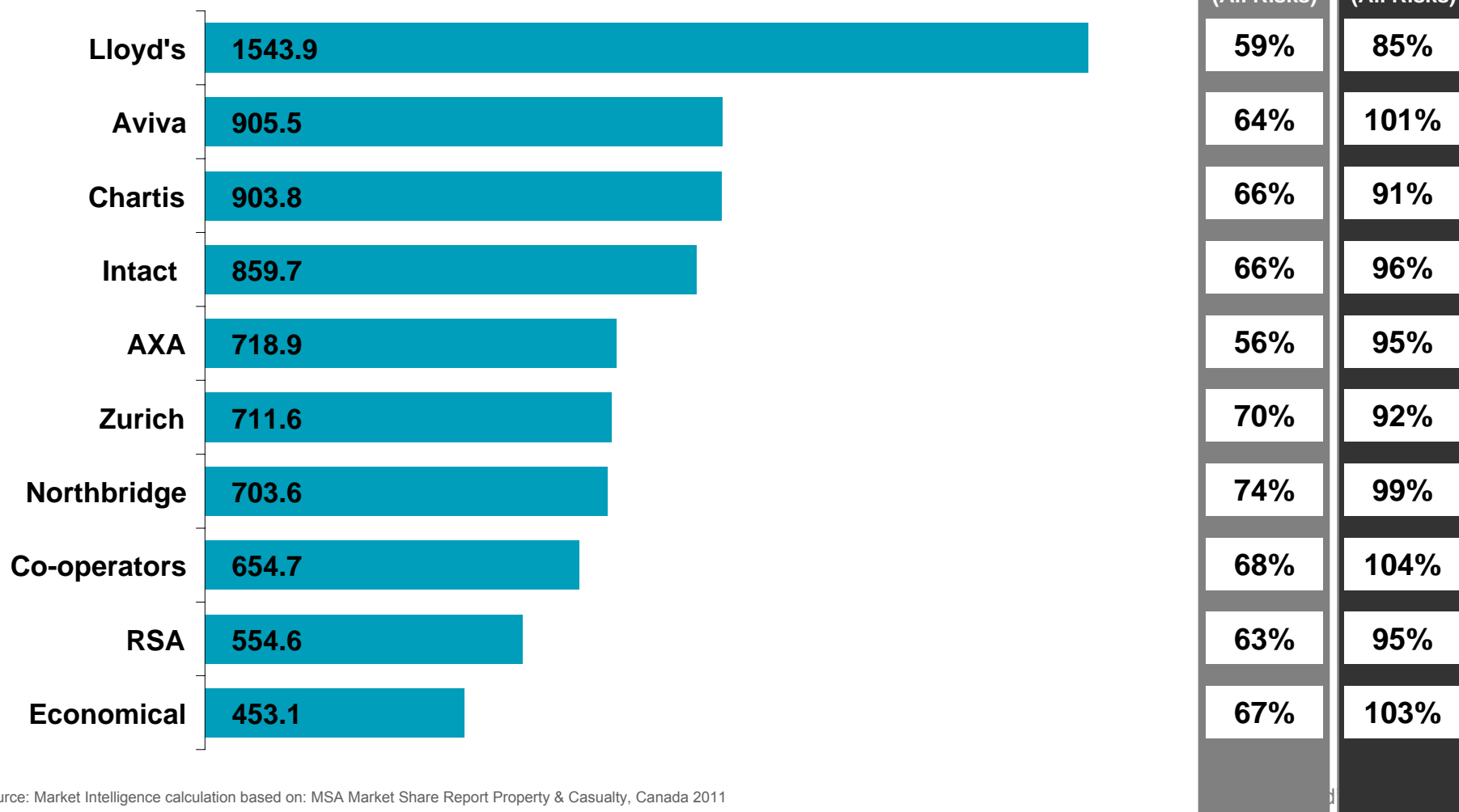
Some auto reform in Ontario but benefits uncertain

# INSURANCE MARKET

Lloyd's Underwriters are the largest writers of commercial lines

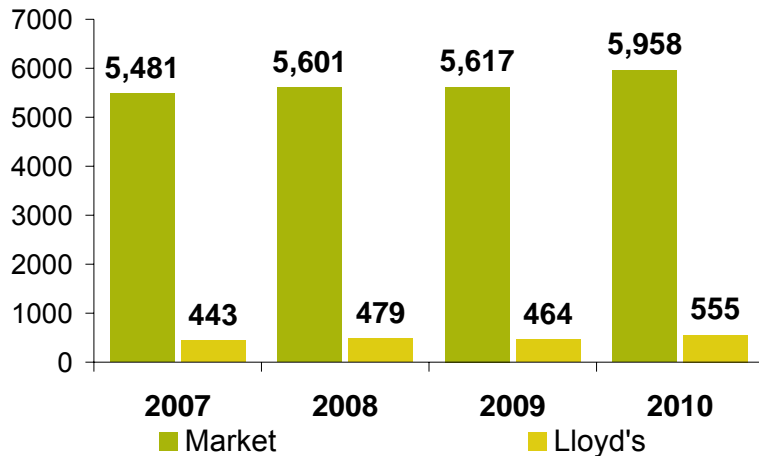
## 2010 Market Leaders in CAD m

Excluding Auto & Personal Property



# INSURANCE MARKET > Commercial Property

2007-2010 DWP for Commercial Property:  
in million CAD



2010 Top 5 Companies in Com. Property:  
prems in CAD / loss ratios in %

	Premiums	Loss Ratio
Lloyd's	555.2m	47
Intact	506.1m	55
Aviva	465.4m	58
Co-operators	400.4m	65
Northbridge	382.2m	44

## KEY CHARACTERISTICS

### GDP growth & strong capital investment

- infrastructure spending drives 18% growth in public sector investment
- Strong growth in mining & energy investment

Lloyd's writes a substantial portion of industry premium growth against stiff competition

Good risks saw rates flat to down for improved terms & conditions

## OUTLOOK 2011/2012

Continued double digit growth in resource extraction sector

Good growth in manufacturing, commercial construction & oil & gas investment

Rates for non-cat exposed risks expected to be flat to down

# LLOYD'S > Commercial Property

Lloyd's commercial property book dominated by specialty classes

2010 Premiums **CAD 555m**

Detailed classes

Commercial Property 78%

Property Binder 66%

Property Open Market 15%

Terrorism 5%

Pecuniary losses 5%

Livestock & Bloodstock 2%

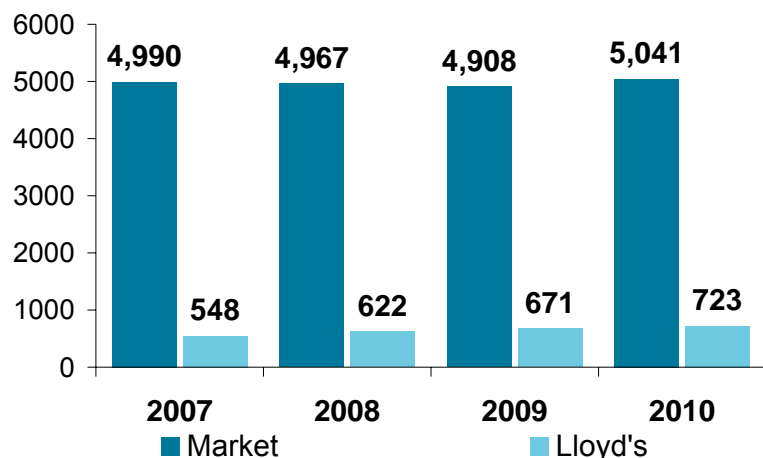
Other Property lines 5%

Energy Onshore 11%

Energy Offshore 11%

# INSURANCE MARKET > Liability

**2007-2009 Premiums for Liability:**  
in million CAD



**2010 Top 5 Companies in Liability:**  
prems in CAD / loss ratios in %

	Premiums	Loss Ratio
Lloyd's	722.9m	72
Chartis	365.1m	76
Aviva	350.6m	67
Intact	302.3m	51
Zurich	294.2m	73

## KEY CHARACTERISTICS

### Abundant capacity drives reductions

- coverage enhancements granted for rate stability
- perceived financial institutions' risk diminishing

### Increasing Lloyd's programmes and on the ground presence

### Moderate liability climate continues

## OUTLOOK

Robust economy should drive IPO activity, sales & demand for professional lines although service sector growth will lag

Domestic companies vigorously competing for / defending business

Continued new entrants

# LLOYD'S > Liability breakdown

Half of Lloyd's large liability book is professional lines and specialty

2010 Premiums **CAD 723m**

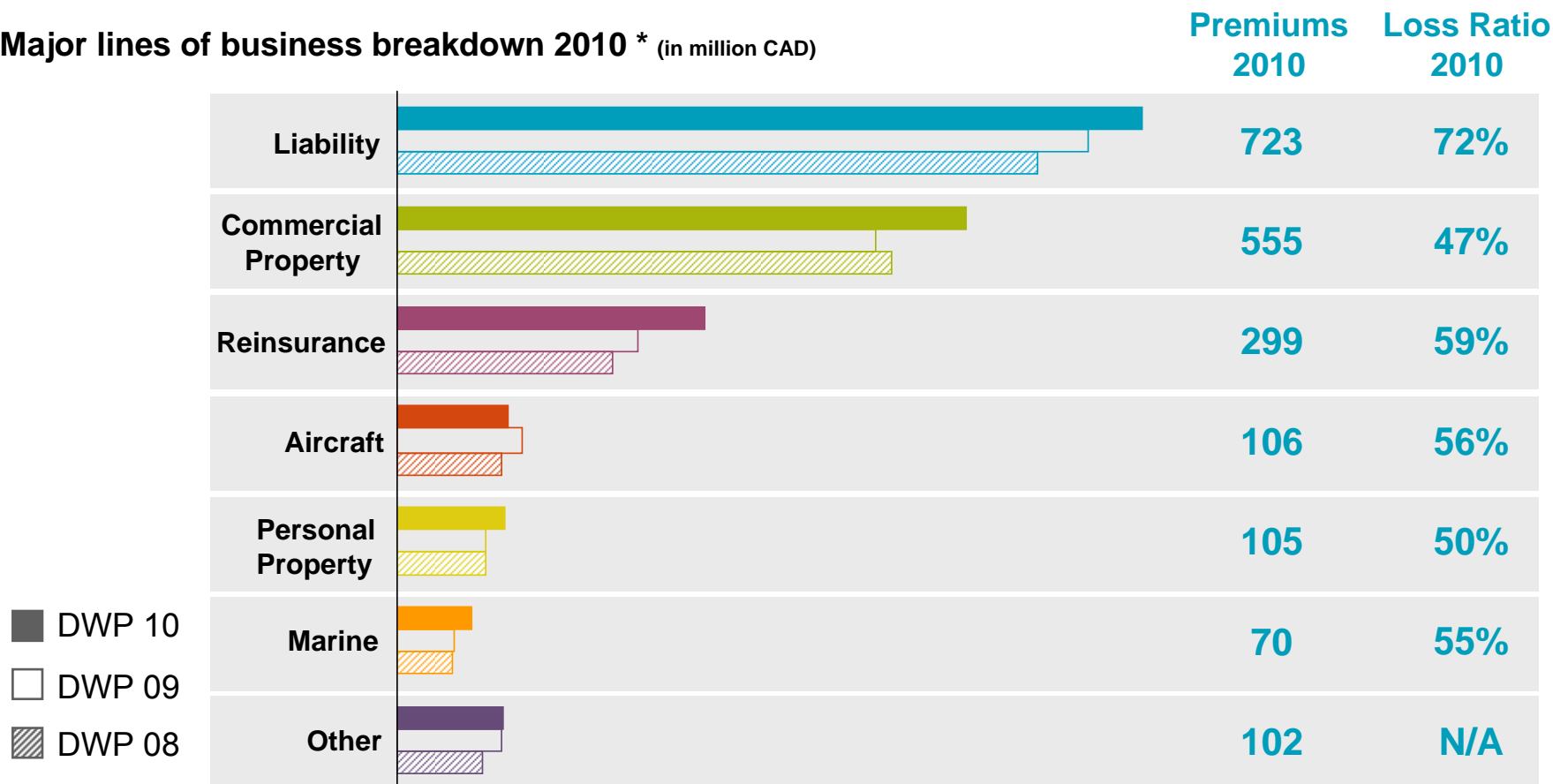
Detailed classes

General Liability	53%		
Professional Indemnity	30%		
Other Liability	10%	Financial Institutions	43%
		Airport Liabilities	28%
		Marine + Cargo Liab.	25%
		Other	4%
Directors & Officers	7%		

# LLOYD'S > Classes of business

Canadian book dominated by wide range of small and large commercial risks  
 Recent large losses will impact profitability

Major lines of business breakdown 2010 \* (in million CAD)



Source: Market Intelligence calculations based on P&C Canada 2009 Market Share Report - MSA Research Inc. [www.msaresearch.com](http://www.msaresearch.com)

\* Please note: This figure does not include Reinsurance premiums.

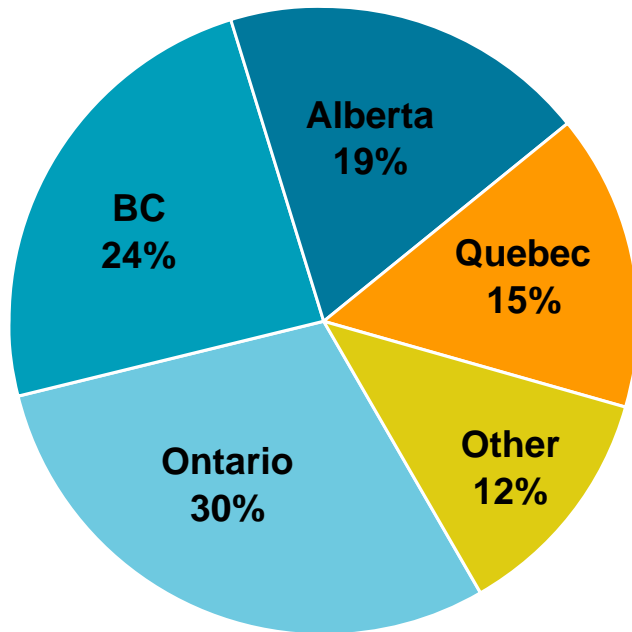
# LLOYD'S > Provincial breakdown

Lloyd's experienced good growth in Ontario in 2010

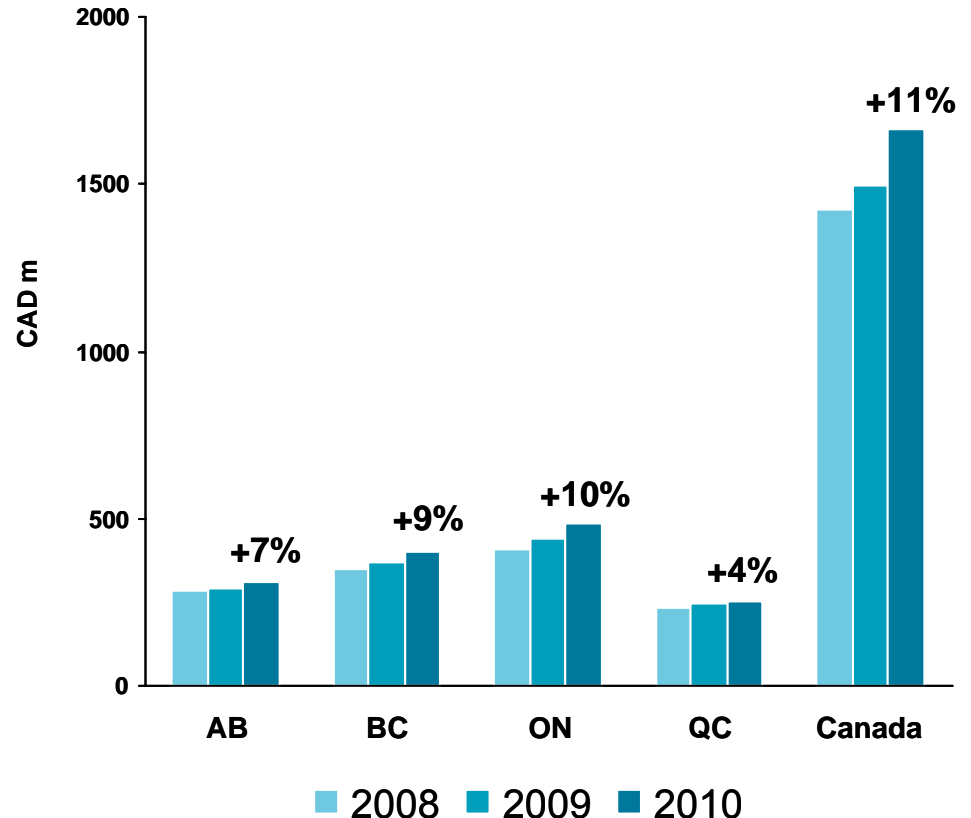
Lloyd's is a dominant player in the growth industries of Western Canada

Continued growth in property exposures in BC

2010 Direct Premiums written by province  
TOTAL CAD 1.66BN



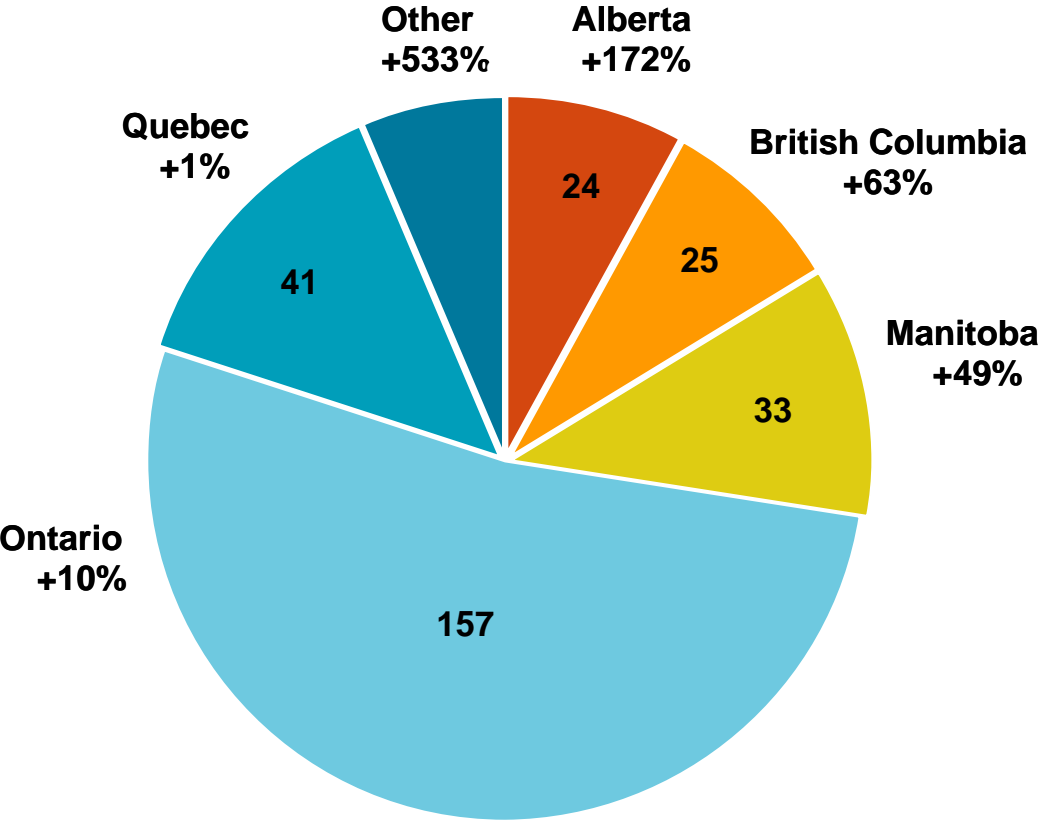
Provincial premium growth trend  
TOTAL DIRECT PREMIUMS



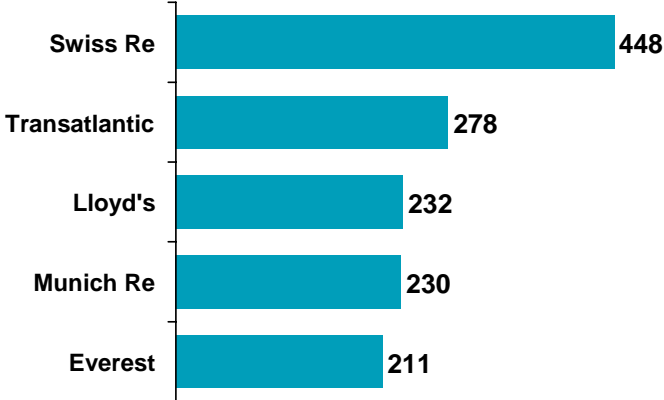
# REINSURANCE MARKET > Market Leaders

**\$500m Alberta hail event impacted claims and resulted in reinstatement premiums**  
**Increased RMS BC quake model likely to drive further demand**

### 2010 Reinsurance Premiums by Province (CADm)



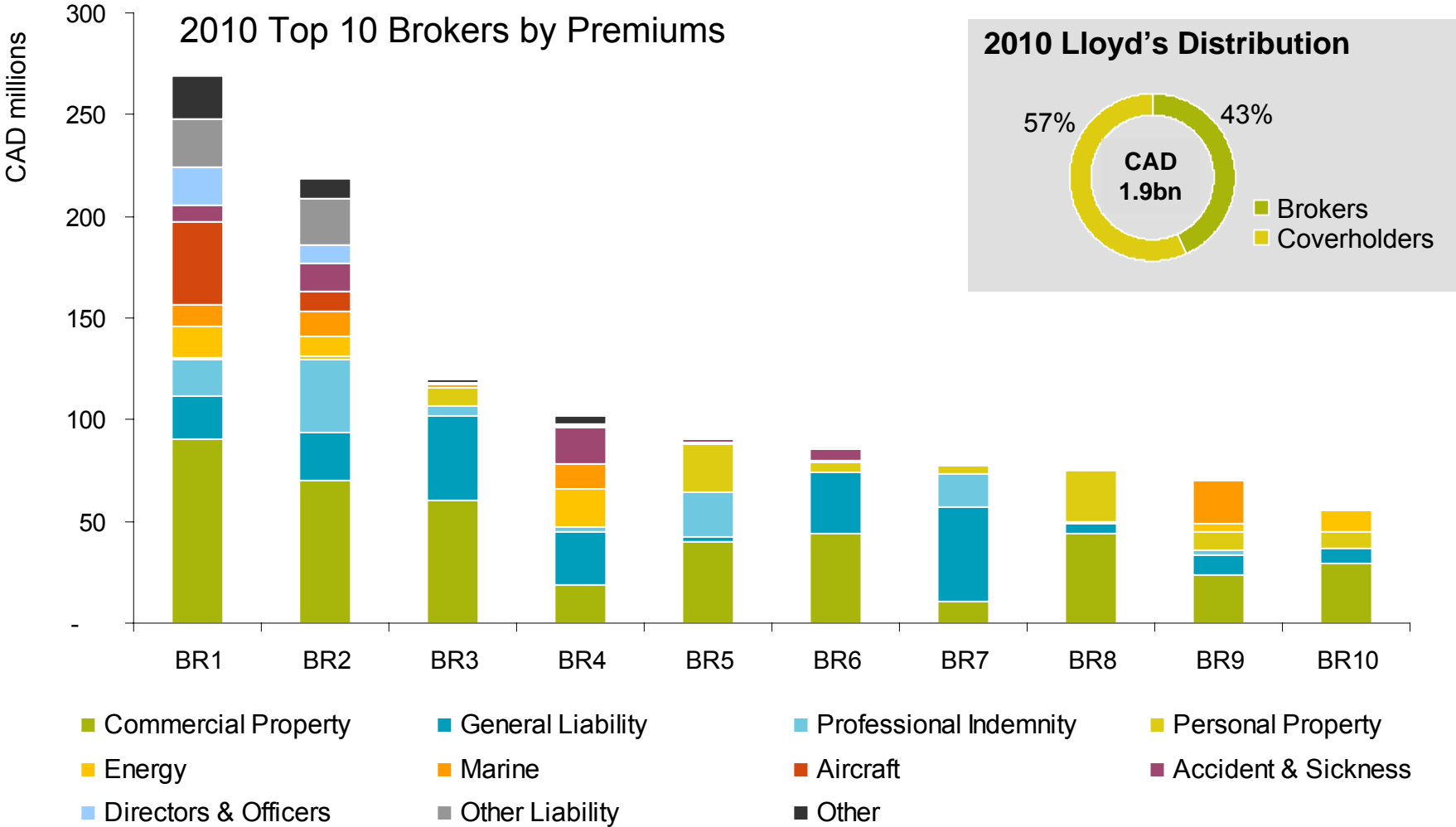
### 2010 RI Market Leaders (CADm) [Gross Written Assumed Premiums]



Source: Reinsurance premiums by province calculation based on Lloyd's 2010 P&C2; 2010 Top 5 Reinsurance Market Players based on Reinsurance Research Council statistics

# LLOYD'S > Distribution

The largest 10 London brokers accounted for 67% of business into Lloyd's

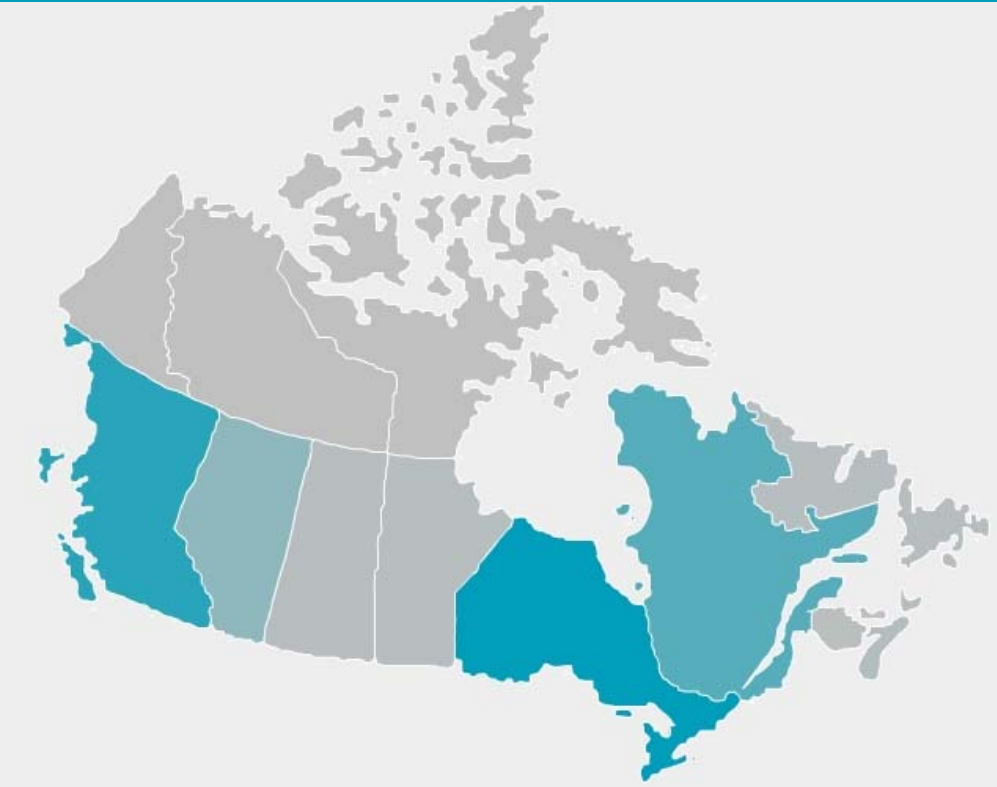


Source: Market Intelligence calculation based on: Xchanging data

# LLOYD'S > Distribution

The number of coverholders & service companies continues to grow

## COVERHOLDER 'HEAT' MAP BY PROVINCE



**324 Coverholders in total**

## SERVICE COMPANIES

Montreal



CATLIN

CATLIN

Toronto



QBE



MARKEL



AEGIS



IRONSHORE

Calgary

CATLIN

ATRIUM

Vancouver



QBE



MARKEL

CATLIN

Source: Market intelligence based on Lloyd's Directory: [www.lloyds.com/directories](http://www.lloyds.com/directories) (March 2011) and Lloyd's Canada

# INSURANCE MARKET > Regulatory changes

- **Clarification of Part XIII of Insurance Companies Act:** from 1.1.2010 only risks for which sufficient underwriting activity takes place in Canada are considered to be “licensed” both federally and provincially
  - All delegated underwriting occurring in Canada meets new test
  - From 2012 all open market and reinsurance contracts will be “formed in Canada” through signing process by Lloyd’s AIF office in Montreal – development of electronic process & signing of mandates underway
  - Work on ‘special cases’ in progress:
    - Global contract compliance
    - Non-domiciled coverholders
    - Risk that some or all of the underwriting profit on open market and reinsurance business will become taxable in Canada
  - OSFI has agreed that business written prior to introduction of AIF signing can be treated as “insuring in Canada” so that Lloyd’s cedants can continue to take capital credit

# INSURANCE MARKET > More regulatory changes

- Implementation of new B3 Reinsurance guideline – possible demand for wording changes
- Quality of reporting of Ontario liability business
- New capitalisation test increases funding requirements in Canada
- Revenue authorities pursuing stricter enforcement of existing requirements
  - Canadian broker plays an important role in meeting test to avoid inappropriate excise tax
- Upcoming Council of Canadian Insurance Regulators review of regulation of MGAs in Canada
- Role of the “Canadian” broker has become increasingly important in the evolution of Canadian solvency, market conduct and tax regulation
- Compliance effort involved in writing auto business – analysis of issues and costs/benefits underway

# LLOYD'S > Lineage

- Establishment of user groups in Canada and regular consultation with London users has enabled us to deliver meaningful improvements:
  - ER3001 format in force reports
  - 'ease of use' improvements for coverholders
  - Risk reports available from 6<sup>th</sup> of each month
  - UMRs now consistent with Xchanging
  - Lineage claims accommodated in ECF
  - New electronic upload with Keal plus 2 other vendors underway
  - 44 training sessions conducted in 2010 and 35 in 2011 YTD
- And we are seeing evidence of our efforts paying off:
  - Premiums processed via Lineage have increased by 18% in 2010
  - 2010 Ontario regulatory reporting showed great improvement in accuracy

# LLOYD'S > Events in Canada

**The opening of the new Toronto office in 2010 has raised Lloyd's profile in Canada's largest commercial centre**

## 2011 KEY CANADIAN CONFERENCES

- RIMS – Vancouver, May
- BC Brokers' Conference – Banff, June
- Canadian RIMS – Ottawa, Sept
- National Insurance Conference – Vancouver, Sept
- Ontario Brokers' Conference – Toronto, Oct
- Quebec Brokers' Conference – Quebec City, Nov

## OTHER LLOYD'S CANADA PROMOTIONAL ACTIVITIES

- Annual coverholder gatherings & Lineage user groups
- Presentations to brokers' gatherings, universities, insurance professional bodies
- Representing Lloyd's at other Canadian industry gatherings – P&C Industry Forum, IBC Conferences, Toronto Insurance Conference
- Representing Lloyd's on boards and industry committees – IBC Regulatory Improvement Committee, Institute for Catastrophic Loss Reduction, Canadian Board of Marine Underwriters, Nuclear Insurance Association of Canada, Reinsurance Research Council

**TORONTO – 200 Bay Street, Royal Bank Plaza**  
**Deborah Moor, President**  
**Sean Murphy, VP & Attorney in Fact**

### Key roles

- Regulatory strategy & management
- Lloyd's promotion and market development support
- Operational oversight including local compliance

### Facilities

- Hot desk / Meeting / Presentation facilities for visiting Managing Agents & Brokers
- Small to medium receptions

**MONTREAL – 1155 Rue Metcalfe, Sun Life Building**  
**Lucie Payette, Sr. Operations Manager**  
**Frank Flood, Business Analyst**  
**Mary Arabian, Compliance Executive**  
**TELUS**

### Key roles

- Attorney in Fact office (incl. coverholders & OMCs)
- Lineage operations management & control
- Lineage customer relationships & training

### Facilities

- Meeting facilities for visiting Managing Agents & Brokers



# CONCLUSIONS

# CONCLUSIONS

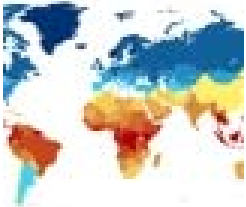
- 1** Lloyd's has maintained good access to an important market, but it comes with a high regulatory compliance & funding burden
- 2** Continued strong Canadian economy = growth in demand for insurance, particularly in regions benefitting from resource activity
- 3** Not a well-kept secret: expect heightened competition for business from Lloyd's players and others
- 4** Longer term economic outlook uncertain given commodity dependency

# APPENDIX

- **Market Intelligence**
- **Lloyd's Background Info**

# HOW CAN MARKET INTELLIGENCE HELP YOU?

## VIEWS FROM THE TOP



**Compare Countries** employs regional heat maps to showcase key indicators for a quick strategic overview. Gain insight into the Business Environment, Insurance Environment and Lloyd's Business through regional heat maps.

## LOCAL INTELLIGENCE



**Market Presentations** allows you to track local insights offered by Lloyd's Country Managers, highlighting opportunities and challenges of doing business in their markets.

## SAVE TIME



**Country Profiles** enables you to have a snapshot of individual countries providing summaries for Lloyd's key territories.

## QUESTIONS?

**Any Questions on Market Intelligence Products?**

Send us your Market Intelligence Query to:

 [marketintelligence@lloyds.com](mailto:marketintelligence@lloyds.com)

*These products are easy to download and enable you to keep on top of developments, whether you are on-the-go, or at your desk. The PDF's can also be opened in iBooks (iPad / iPhone).*



[www.lloyds.com/MARKETINTELLIGENCE](http://www.lloyds.com/MARKETINTELLIGENCE)

# APPENDIX

## LLOYD'S DATA LIMITATIONS

Please note the information contained in this document is based upon data collected from Xchanging and may be incomplete for some classes of business; for instance a substantial figure, which is missing from the REG 258 data set is comprised of UK Motor, which is not processed by Xchanging.

**Gross Premiums:** Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

Lloyd's figures are based on gross written premiums based on figures processed by Xchanging by processing year and country of origin.

**Country of Origin:** denotes the country from where demand for the insurance / reinsurance emanates; i.e. the coverholder or policyholder, irrespective of the country to which the risk is classified for regulatory reporting purposes.

**Processing Year:** relates to the calendar year in which the premium, additional or return premium is processed by Xchanging, irrespective of the actual underwriting year of account of the risks (which is determined by the inception date of each risk).

Example: A policy holder in the UK insuring a holiday home in France would be classified as a UK risk by Country Of Origin, but French for regulatory reporting purposes. Similarly a risk incepting on 1st December 2007 would be classified at 2007 underwriting year of account but may not be processed by Xchanging until 2008 and so be allocated to the 2008 processing year

## DISCLAIMER

This document is intended for general information purposes only. Whilst all care has been taken to ensure the accuracy of the information Lloyd's does not accept any responsibility for any errors or omissions. Lloyd's does not accept any responsibility or liability for any loss to any person acting or refraining from action as a result of, but not limited to, any statement, fact, figure, expression of opinion or belief obtained in this document.